

TWIN CEDARS COMMUNITY SCHOOL DISTRICT
BUSSEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, Iowa 50265

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Twin Cedars Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<u>Board of Education</u> (Before September, 2004 Election)		
Dennis Miller	President	2004
Bonnie Courtney	Vice-President	2004
Abby Mockenhaupt	Board Member	2005
Deb Haselhuhn	Board Member	2006
Bob Mallory	Board Member	2005

<u>Board of Education</u> (After September, 2004 Election)		
Dennis Miller	President	2007
Abby Mockenhaupt	Vice-President	2005
Bonnie Courtney	Board Member	2007
Deb Haselhuhn	Board Member	2006
Bob Mallory	Board Member	2005

<u>School Officials</u>		
Brian Vandersluis	Superintendent	2005
Jim Heikens*	District Secretary/ Treasurer/Business Manager	2005
Lana Durkin **	District Secretary/ Treasurer/Business Manager	2005
Sheri Roberts ***	District Secretary/ Treasurer/Business Manager	2005
Belin, Lamson, McCormick, Zumbach, Flynn Attorney's At Law	Attorney	2005

* - Resigned in January 2005

** - Held position from January through March 2005

*** - Appointed effective April 1, 2005

Twin Cedars Community School District

PEAK & GERDES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1051 OFFICE PARK ROAD
WEST DES MOINES, IOWA 50265

(515) 277-3077

Independent Auditor's Report

To the Board of Education of
Twin Cedars Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District, Bussey, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principals.

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2005 on our consideration of Twin Cedars Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Cedars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP
Certified Public Accountants

August 5, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Cedars Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,495,624 in fiscal 2004 to \$3,667,806 in fiscal 2005, while General Fund expenditures increased from \$3,352,582 in fiscal 2004 to \$3,490,189 in fiscal 2005. The District's General Fund balance increased from \$352,352 in fiscal 2004 to \$529,969 in fiscal 2005, a 50% increase.
- The increase in General Fund revenues was attributable to a slight increase in the number of students served in the district which resulted in an increase in property tax income and state and federal grant revenue in fiscal 2005. The increase in expenditures was due to several factors including increases in salaries and benefits, adding some staff positions and an increase in the cost of educational materials.
- The District has made significant improvements to its facilities from the use of PPEL funds and Marion and Mahaska County Local Option Sales Tax revenues. A total of \$30,000 from the Local Option Sales Tax revenue was used to provide property tax relief to the district property owners in fiscal 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Twin Cedars Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements report Twin Cedars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The governmental fund financial statements tell how well governmental services were financed in the short term as well as what remains for future spending. The proprietary fund financial statements offer short-term and long-term financial information about activities the District operates like a business. In Twin Cedars Community School District, the school nutrition program operations are the only enterprise reported as a proprietary fund.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Twin Cedars Community School District Annual Financial Report

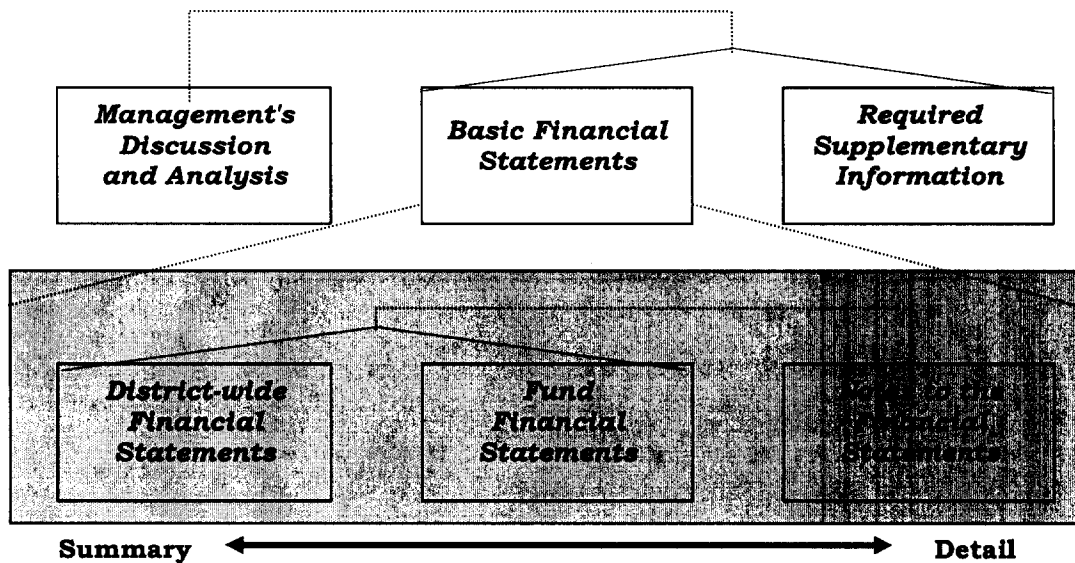


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services.	
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 3,447	3,171	21	39	3,468	3,210	8.0%
Capital assets	1,900	1,810	33	18	1,933	1,828	5.7%
Total assets	5,347	4,981	54	57	5,401	5,038	7.2%
Long-term liabilities	1,066	683	-	-	1,066	683	56.1%
Other liabilities	1,993	2,351	-	8	1,993	2,359	-15.5%
Total liabilities	3,059	3,034	-	8	3,059	3,042	0.6%
Net assets							
Invested in capital assets, net of related debt	1,472	1,196	33	18	1,505	1,214	24.0%
Restricted	226	285	-	-	226	285	-20.7%
Unrestricted	590	466	21	31	611	497	22.9%
Total net assets	\$ 2,288	1,947	54	49	2,342	1,996	17.3%

The District's combined net assets increased by nearly 17.3 %, or approximately \$346,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$59,000, or 21% over the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$114,000 or 22.9% over the prior year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4 Changes in Net Assets (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 574	510	118	97	692	607
Operating grants, contributions and restricted interest	498	536	86	91	584	627
Capital grants, contributions and restricted interest	-	1	-	-	-	1
General revenues:						
Property tax	1,093	1,108	-	-	1,093	1,108
Local option sales and services tax	236	36	-	-	236	36
Income surtax	75	62	-	-	75	62
Unrestricted state grants	1,705	1,568	-	-	1,705	1,568
Unrestricted investment earnings	16	14	-	-	16	14
Other	10	7	-	-	10	7
Total revenues	4,207	3,842	204	188	4,411	4,030
Program expenses:						
Instruction	2,645	2,358	-	-	2,645	2,358
Support services	931	1,065	-	-	931	1,065
Non-instructional programs	20	1	199	198	219	199
Other expenses	270	264	-	-	270	264
Total expenses	3,866	3,688	199	198	4,065	3,886
Increase (decrease) in net assets	341	154	5	(10)	346	144
Net assets beginning of year	1,947	1,793	49	59	1,996	1,852
Net assets end of year	\$ 2,288	1,947	54	49	2,342	1,996

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,206,856 and expenses were \$3,865,708. In a difficult budget year, the District was able to balance the budget by closely monitoring spending.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)			
	Total Cost of Services		Net Cost of Services
Instruction	\$	2,645	1,705
Support services		931	930
Non-instructional programs		20	20
Other expenses		270	139
Totals	\$	3,866	2,794

- The cost financed by users of the District's programs was \$573,726.
- Federal and state governments subsidized certain programs with grants, contributions and restricted interest totaling 498,182.
- The net cost of governmental activities was financed with \$1,404,002 in property and other tax, including local option sales and services tax, and \$1,704,610 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$205,028 and expenses were \$199,931. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Twin Cedars Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,393,948 an 87% increase over last year's ending fund balances of \$745,488. The fund increase is due partially to the Marion County Local Option Sales Tax revenue and bond proceeds of \$435,000 that will finance a heating and cooling system in the District's facilities.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. We have attempted to match revenues with expenditures in order to avoid deficit spending. The staff and Administration have worked hard to keep costs to a minimum while still offering our students the best education possible.

- The General Fund balance increased 50.4% from \$352,352 to \$529,969, due to close scrutiny of the district finances and in spite of the reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased by \$94,349 from fiscal 2004 to fiscal 2005. While revenues remained approximately the same, the District substantially increased spending from the PPEL Fund in order to make much needed improvements to the facilities.
- The Debt Service Fund Balance is down \$3,210 due to the district not levying as much tax as it had in the past, opting to use some of the existing fund balance.
- The Capital Projects Fund balance increased \$569,386 due to the Mahaska County Local Option Sales Tax revenue, the passage of and the receipt of the Marion County Local Option Sales Tax revenue, and the bond proceeds of \$435,000 that will be used to upgrade the heating and cooling system in the District buildings.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$48,528 at June 30, 2004 to \$53,625 at June 30, 2005, representing an increase of approximately 10.5%. For fiscal 2005, the District increased meal prices, resulting in an increase in net assets. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the use of better purchasing practices we are able to keep the costs down.

BUDGETARY HIGHLIGHTS

Over the course of the year, Twin Cedars Community School District did not amend its annual budget.

The District's receipts were \$75,651 less than budgeted receipts, a variance of 1.7%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs function due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested, net of accumulated depreciation, \$1.9 million in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5.7% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$106,553 for both governmental and business type activities.

The original cost of the District's capital assets was \$4.3 million. Governmental funds account for \$4.2 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 22	22	-	-	22	22	0.0%
Construction in progress	24	-	-	-	24	-	100.0%
Buildings	1,641	1,610	-	-	1,641	1,610	1.9%
Improvements other than buildings	5	5	-	-	5	5	0.0%
Furniture and equipment	208	173	33	18	241	191	26.2%
Totals	\$ 1,900	1,810	33	18	1,933	1,828	5.7%

Long-Term Debt

At June 30, 2005, the District had \$1,065,753 in general obligation bonds, revenue bonds, and contract payable debt outstanding. This represents an increase of approximately 56.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
General obligation bonds	\$ 580	630	-7.9%
Revenue bonds	435	0	100.0%
Contract payable	51	53	-3.8%
Totals	\$ 1,066	683	56.1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced a significant decline in enrollment in the fall of 2005. The district went from serving 513 students in 2004 to 479 in 2005.
- The District has taken measures to maintain the current facilities. Both large elementary playground surfaces were replaced in August 2004 as well as refurbishing of the high school gym, fixing the roofs on both the elementary and high school buildings, and making some significant equipment purchases for the custodial staff and nutrition program. Proceeds for these improvements have come from Local Option Sales Tax, PPEL Funds, and the District's Nutrition Fund. Several projects remain to be completed in the upcoming year to get the district's facilities to a level of acceptance.
- The District is planning on an extensive heating, air conditioning and ventilation project for FY 2005 and FY 2006. The proceeds for this project will come from bonds financed by the Local Option Sales Tax funds.
- Fiscal 2005 negotiations with the Twin Cedars Education Association for the 2005-06 school year took more money than the new monies received by the Twin Cedars Community School District. The District will negotiate a new agreement during fiscal 2006 for the 2006-2007 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Because of the districts decline in enrollment this settlement could significantly impact General Fund balances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa 50044.

Basic Financial Statements

Twin Cedars Community School District

Exhibit A

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 523,308	-	523,308
Other	1,637,459	9,139	1,646,598
Receivables:			
Property tax:			
Delinquent	33,211	-	33,211
Succeeding year	1,095,559	-	1,095,559
Accrued interest:			
ISCAP	189	-	189
Due from other governments	157,555	-	157,555
Inventories	-	11,712	11,712
Capital assets, net of accumulated depreciation	1,899,895	33,130	1,933,025
Total assets	5,347,176	53,981	5,401,157
Liabilities			
Accounts payable	18,700	-	18,700
Salaries and benefits payable	331,549	356	331,905
Other liabilities	18,068	-	18,068
Accrued interest payable	7,700	-	7,700
Deferred revenue:			
Succeeding year property tax	1,095,559	-	1,095,559
ISCAP warrants payable	521,000	-	521,000
ISCAP accrued interest payable	100	-	100
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	55,000	-	55,000
Contract payable	2,145	-	2,145
Portion due after one year:			
General obligation bonds payable	525,000	-	525,000
Revenue bonds payable	435,000	-	435,000
Contract payable	48,608	-	48,608
Total liabilities	3,058,429	356	3,058,785
Net assets			
Invested in capital assets, net of related debt	1,472,021	33,130	1,505,151
Restricted for:			
Management levy	28,019	-	28,019
Physical plant and equipment levy	126,678	-	126,678
Other special revenue purposes	71,403	-	71,403
Unrestricted	590,626	20,495	611,121
Total net assets	\$ 2,288,747	53,625	2,342,372

See notes to financial statements.

Twin Cedars Community School District

Statement of Activities

Year ended June 30, 2005

Functions / Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,666,724	380,943	212,923	-
Special instruction	438,539	54,255	126,854	-
Other instruction	540,050	138,528	26,392	-
	<u>2,645,313</u>	<u>573,726</u>	<u>366,169</u>	<u>-</u>
Support services:				
Student services	75,559	-	-	-
Instructional staff services	56,041	-	-	-
Administration services	310,662	-	-	-
Operation and maintenance of plant services	221,343	-	-	-
Transportation services	267,184	-	995	-
	<u>930,789</u>	<u>-</u>	<u>995</u>	<u>-</u>
Non-instructional programs	<u>19,896</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	32,858	-	-	153
Long-term debt interest	33,053	-	106	-
AEA flowthrough	130,759	-	130,759	-
Depreciation (unallocated)*	73,040	-	-	-
	<u>269,710</u>	<u>-</u>	<u>130,865</u>	<u>153</u>
Total governmental activities	<u>3,865,708</u>	<u>573,726</u>	<u>498,029</u>	<u>153</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>199,931</u>	<u>118,349</u>	<u>86,257</u>	<u>-</u>
Total	<u>\$ 4,065,639</u>	<u>692,075</u>	<u>584,286</u>	<u>153</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Local option sales and services tax
Income surtax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expenses of the various programs

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,072,858)	-	(1,072,858)
(257,430)	-	(257,430)
(375,130)	-	(375,130)
(1,705,418)	-	(1,705,418)
(75,559)	-	(75,559)
(56,041)	-	(56,041)
(310,662)	-	(310,662)
(221,343)	-	(221,343)
(266,189)	-	(266,189)
(929,794)	-	(929,794)
(19,896)	-	(19,896)
(32,705)	-	(32,705)
(32,947)	-	(32,947)
-	-	-
(73,040)	-	(73,040)
(138,692)	-	(138,692)
(2,793,800)	-	(2,793,800)
-	4,675	4,675
(2,793,800)	4,675	(2,789,125)
\$ 994,163	-	994,163
48,807	-	48,807
50,620	-	50,620
235,619	-	235,619
74,793	-	74,793
1,704,610	-	1,704,610
15,937	422	16,359
10,399	-	10,399
3,134,948	422	3,135,370
341,148	5,097	346,245
1,947,599	48,528	1,996,127
\$ 2,288,747	53,625	2,342,372

Twin Cedars Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 523,308	-	-	523,308
Other	832,021	583,804	221,634	1,637,459
Receivables:				
Property tax:				
Delinquent	28,745	-	4,466	33,211
Succeeding year	943,103	-	152,456	1,095,559
Accrued interest:				
ISCAP	189	-	-	189
Due from other funds	-	-	13,720	13,720
Due from other governments	80,694	54,075	22,786	157,555
Total assets	\$ 2,408,060	637,879	415,062	3,461,001
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 18,700	-	-	18,700
Salaries and benefits payable	331,549	-	-	331,549
Due to other funds	-	-	13,720	13,720
Other liabilities	18,068	-	-	18,068
ISCAP warrants payable	521,000	-	-	521,000
ISCAP accrued interest payable	100	-	-	100
Deferred revenue:				
Succeeding year property tax	943,103	-	152,456	1,095,559
Other	45,571	-	22,786	68,357
Total liabilities	1,878,091	-	188,962	2,067,053
Fund balances:				
Reserved for talented and gifted	22,442	-	-	22,442
Reserved for debt service	-	-	36,930	36,930
Unreserved	507,527	637,879	189,170	1,334,576
Total fund balances	529,969	637,879	226,100	1,393,948
Total liabilities and fund balances	\$ 2,408,060	637,879	415,062	3,461,001

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (page 21) **\$ 1,393,948**

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,899,895

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 68,357

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (7,700)

Long-term liabilities, including bonds payable and capitalized lease obligations are not due and payable in the current period and, therefore, are not reported in the funds. (1,065,753)

Net assets of governmental activities (page 18) **\$ 2,288,747**

See notes to financial statements.

Twin Cedars Community School District

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 991,991	235,619	169,969	1,397,579
Tuition	419,604	-	-	419,604
Other	35,454	153	145,105	180,712
Intermediate sources	259	-	-	259
State sources	2,033,027	-	-	2,033,027
Federal sources	187,471	-	-	187,471
Total revenues	3,667,806	235,772	315,074	4,218,652
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,649,798	-	16,926	1,666,724
Special instruction	434,030	-	4,509	438,539
Other instruction	406,582	-	133,468	540,050
	2,490,410	-	154,903	2,645,313
Support services:				
Student services	74,855	-	704	75,559
Instructional staff services	55,337	-	704	56,041
Administration services	306,752	-	3,910	310,662
Operation and maintenance of plant services	204,813	-	26,567	231,380
Transportation services	227,263	-	65,635	292,898
	869,020	-	97,520	966,540
Non-instructional programs	-	-	19,896	19,896
Other expenditures:				
Facilities acquisition	-	62,352	98,209	160,561
Long-term debt:				
Principal	-	-	52,043	52,043
Interest and fiscal charges	-	-	30,080	30,080
AEA flowthrough	130,759	-	-	130,759
	130,759	62,352	180,332	373,443
Total expenditures	3,490,189	62,352	452,651	4,005,192
Excess (deficiency) of revenues over (under) expenditures	177,617	173,420	(137,577)	213,460
Other financing sources (uses):				
Operating transfers in	-	-	39,034	39,034
Operating transfers out	-	(39,034)	-	(39,034)
Revenue bonds issued	-	435,000	-	435,000
Total other financing sources (uses)	-	395,966	39,034	435,000
Net change in fund balances	177,617	569,386	(98,543)	648,460
Fund balances beginning of year	352,352	68,493	324,643	745,488
Fund balances end of year	\$ 529,969	637,879	226,100	1,393,948

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (page 23) \$ 648,460

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 193,183	
Depreciation expense	<u>(102,769)</u>	90,414

Income surtax is not collected until several months after year end is not considered available revenue and is deferred in the governmental funds.		6,428
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(435,000)	
Repaid	<u>52,043</u>	(382,957)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(2,973)
--	--	---------

Certain revenues not collected until several months after year end is not considered available revenue and is deferred in the governmental funds.		<u>(18,224)</u>
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Change in net assets of governmental activities (page 20)		<u><u>\$ 341,148</u></u>
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See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 9,139
Inventories	11,712
Capital assets, net of accumulated depreciation	<u>33,130</u>
Total assets	<u><u>53,981</u></u>
Liabilities	
Salaries and benefits payable	<u>356</u>
Total liabilities	<u><u>356</u></u>
Net Assets	
Invested in capital assets, net of related debt	33,130
Unrestricted	<u>20,495</u>
Total net assets	<u><u>\$ 53,625</u></u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 118,349</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	93,130
Benefits	13,761
Purchased services	3,159
Supplies	86,036
Property	60
Depreciation	<u>3,785</u>
Total operating expenses	<u>199,931</u>
Operating loss	<u>(81,582)</u>
Non-operating revenues:	
State sources	2,839
Federal sources	83,418
Interest income	<u>422</u>
Total non-operating revenues	<u>86,679</u>
Change in net assets	5,097
Net assets beginning of year	<u>48,528</u>
Net assets end of year	<u><u>\$ 53,625</u></u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 118,349
Cash paid to employees for services	(100,933)
Cash paid to suppliers for goods and services	<u>(86,779)</u>
Net cash used by operating activities	<u>(69,363)</u>
Cash flows from non-capital financing activities:	
State grants received	2,839
Federal grants received	<u>72,067</u>
Net cash provided by non-capital financing activities	<u>74,906</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(18,804)</u>
Net cash used by capital and related financing activities	<u>(18,804)</u>
Cash flows from investing activities:	
Interest on investments	<u>422</u>
Net (decrease) in cash and cash equivalents	(12,839)
Cash and cash equivalents beginning of year	<u>21,978</u>
Cash and cash equivalents end of year	<u><u>\$ 9,139</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (81,582)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	11,351
Depreciation	3,785
Decrease in inventories	3,736
Decrease in prepaid assets	1,150
(Decrease) in salaries and benefits payable	<u>(7,803)</u>
Net cash used by operating activities	<u><u>\$ (69,363)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$11,351 of federal commodities.

See notes to financial statements.

Twin Cedars Community School District

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Twin Cedars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominate agricultural territory of Marion and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Twin Cedars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Twin Cedars Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds be recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in applicable government or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable, and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional programs functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

Because the cash in bank exceeded the depository resolution amount, the District's deposits in banks at June 30, 2005 were not entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 128,463</u>

The investments are valued at an amortized cost pursuant of Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Physical Plant and Equipment Levy	Debt Service	<u>\$ 13,720</u>

The above represents a corrective transfer that needs to be made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Physical Plant and Equipment Levy	Capital Projects	\$ 9,034
Debt Service	Capital Projects	<u>30,000</u>
Total		<u>\$ 39,034</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	\$ -	77	-	-
2005-06A	6/30/05	6/30/06	523,308	112	521,000	100
Total			\$ 523,308	189	521,000	100

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ -	236,000	236,000	-

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,375	-	-	22,375
Construction in progress	-	23,796	-	23,796
Total capital assets not being depreciated	22,375	23,796	-	46,171
Capital assets being depreciated:				
Buildings	3,365,600	103,905	-	3,469,505
Improvements other than buildings	101,676	-	-	101,676
Furniture and equipment	560,720	65,480	-	626,200
Total capital assets being depreciated	4,027,996	169,385	-	4,197,381
Less accumulated depreciation for:				
Buildings	1,755,985	73,040	-	1,829,025
Improvements other than buildings	96,794	-	-	96,794
Furniture and equipment	388,111	29,727	-	417,838
Total accumulated depreciation	2,240,890	102,767	-	2,343,657
Total capital assets being depreciated, net	1,787,106	66,618	-	1,853,724
Governmental activities capital assets, net	\$ 1,809,481	90,414	-	1,899,895

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 25,879	18,805	-	44,684
Less accumulated depreciation	7,768	3,786	-	11,554
Business type activities capital assets, net	\$ 18,111	15,019	-	33,130

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant

\$ 2,929

Transportation

26,798

29,727

Unallocated

73,040

Total depreciation expense - governmental activities

\$ 102,767

Business type activities:

Food service operations

\$ 3,786

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 630,000	-	50,000	580,000	55,000
Contract payable	52,796	-	2,043	50,753	2,145
Revenue bonds	-	435,000	-	435,000	-
Total	\$ 682,796	435,000	52,043	1,065,753	57,145

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of November 1, 1998		
	Interest Rates	Principal	Interest
2006	4.10%	\$ 55,000	24,990
2007	4.15%	55,000	22,735
2008	4.20%	60,000	20,453
2009	4.25%	60,000	17,932
2010	4.30%	65,000	15,382
2011	4.30%	65,000	12,588
2012	4.40%	70,000	9,792
2013	4.45%	75,000	6,712
2014	4.50%	75,000	3,375
Total		\$ 580,000	133,959

Contract Payable

The District has entered into a contract to repay the City of Bussey for the cost of the construction of water mains for the School District. The annual payments are in the amount of \$4,683, which includes interest computed at 5%, and are payable on June 1. Details of the District's June 30, 2005 contract payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 2,145	2,538	4,683
2007	2,253	2,430	4,683
2008	2,365	2,318	4,683
2009	2,483	2,200	4,683
2010	2,608	2,075	4,683
2011 and thereafter	38,899	12,614	51,513
Total	\$ 50,753	24,175	74,928

Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2005			
	Interest Rates	Principal	Interest	Total
2006	-	\$ -	11,019	11,019
2007	3.25%	40,000	14,043	54,043
2008	3.25%	45,000	12,661	57,661
2009	3.25%	45,000	11,199	56,199
2010	3.25%	45,000	9,736	54,736
2011	3.40%	50,000	8,155	58,155
2012	3.40%	50,000	6,455	56,455
2013	3.40%	50,000	4,755	54,755
2014	3.50%	55,000	2,943	57,943
2015	3.60%	55,000	990	55,990
Total		\$ 435,000	81,956	516,956

The Local option sales and service tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and service tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and service tax revenue bonds includes the following provisions:

- a) All proceeds from the local option sales and service tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District did not comply with all of the provisions during the year ended June 30, 2005. No transfers were made to the Sinking Account by the District.

(8) Operating Lease

The District has entered into operating leases for copy machines at \$1,673 per month. Future minimum lease payments in relation to these leases are as follows:

Year Ended June 30,	Amount
2006	\$ 20,236
2007	20,081
2008	13,001
2009	7,830
2010	3,550
	<u>\$ 64,698</u>

During the fiscal year, payments made under these lease agreements were \$16,976.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$120,709, \$113,720 and \$120,999, respectively, equal to the required contributions for each year.

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$9,118 which is recorded as a liability as of June 30, 2005.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$130,759 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into a contract totaling approximately \$82,000 for an elementary air conditioning project. The District also entered into a contract totaling approximately \$30,000 for concrete work. It is expected that these projects will be performed and completed in fiscal year 2006.

Required Supplementary Information

Twin Cedars Community School District

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budget Amounts Original	Budget to Actual Variance
Receipts:					
Local sources	\$ 1,943,012	118,771	2,061,783	2,079,242	(17,459)
Intermediate sources	259	-	259	2,950	(2,691)
State sources	2,039,777	2,839	2,042,616	2,189,575	(146,959)
Federal sources	187,471	72,067	259,538	168,080	91,458
Total receipts	4,170,519	193,677	4,364,196	4,439,847	(75,651)
Disbursements:					
Instruction	2,653,177	-	2,653,177	3,400,084	746,907
Support services	967,022	-	967,022	1,318,608	351,586
Non-instructional programs	19,896	206,516	226,412	210,794	(15,618)
Other expenditures	379,760	-	379,760	446,109	66,349
Total disbursements	4,019,855	206,516	4,226,371	5,375,595	1,149,224
Excess (deficiency) of receipts over (under) disbursements	150,664	(12,839)	137,825	(935,748)	1,073,573
Other financing sources, net	435,000	-	435,000	(28,400)	463,400
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	585,664	(12,839)	572,825	(964,148)	1,536,973
Balances beginning of year	1,051,795	21,978	1,073,773	730,395	343,378
Balances end of year	\$ 1,637,459	9,139	1,646,598	(233,753)	1,880,351

See accompanying independent auditor's report.

Twin Cedars Community School District

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,170,519	48,133	4,218,652
Expenditures	4,019,855	(14,663)	4,005,192
Net	150,664	62,796	213,460
Other financing sources, net	435,000	-	435,000
Beginning fund balances	1,051,795	(306,307)	745,488
Ending fund balances	\$ 1,637,459	(243,511)	1,393,948

	Proprietary Fund		
	Cash Basis	Enterprise Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 193,677	11,351	205,028
Expenses	206,516	(6,585)	199,931
Net	(12,839)	17,936	5,097
Beginning net assets	21,978	26,550	48,528
Ending net assets	\$ 9,139	44,486	53,625

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amounts budgeted.

Other Supplementary Information

Twin Cedars Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Assets					
Cash and pooled investments	\$ 26,656	34,473	111,421	49,084	221,634
Receivables:					
Property tax:					
Delinquent	1,363	-	1,537	1,566	4,466
Succeeding year	60,000	-	48,693	43,763	152,456
Due from other funds	-	-	13,720	-	13,720
Due from other governments	-	-	22,786	-	22,786
Total assets	\$ 88,019	34,473	198,157	94,413	415,062
Liabilities and Fund Equity					
Liabilities:					
Due to other funds	\$ -	-	-	13,720	13,720
Deferred revenue:					
Succeeding year property tax	60,000	-	48,693	43,763	152,456
Other	-	-	22,786	-	22,786
Total liabilities	60,000	-	71,479	57,483	188,962
Fund equity:					
Reserved for debt service	-	-	-	36,930	36,930
Unreserved fund balances	28,019	34,473	126,678	-	189,170
Total fund equity	28,019	34,473	126,678	36,930	226,100
Total liabilities and fund equity	\$ 88,019	34,473	198,157	94,413	415,062

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 47,759	-	73,403	48,807	169,969
Other	628	139,147	5,224	106	145,105
Total revenues	48,387	139,147	78,627	48,913	315,074
Expenditures					
Current:					
Instruction:					
Regular instruction	15,676	-	1,250	-	16,926
Special instruction	4,509	-	-	-	4,509
Other instruction	1,288	132,180	-	-	133,468
Support services:					
Student services	704	-	-	-	704
Instructional staff services	704	-	-	-	704
Administration services	3,910	-	-	-	3,910
Operation and maintenance of plant services	15,540	-	11,027	-	26,567
Transportation services	12,795	-	52,840	-	65,635
Non-instructional programs:					
Food service operations	1,212	-	18,684	-	19,896
Other expenditures:					
Facilities acquisition	-	-	98,209	-	98,209
Long-term debt:					
Principal	-	-	-	52,043	52,043
Interest and fiscal charges	-	-	-	30,080	30,080
Total expenditures	56,338	132,180	182,010	82,123	452,651
Excess (deficiency) of revenues over (under) expenditures	(7,951)	6,967	(103,383)	(33,210)	(137,577)
Other financing sources (uses):					
Operating transfers in	-	-	9,034	30,000	39,034
Total other financing sources (uses)	-	-	9,034	30,000	39,034
Net change in fund balances	(7,951)	6,967	(94,349)	(3,210)	(98,543)
Fund balances beginning of year	35,970	27,506	221,027	40,140	324,643
Fund balances end of year	\$ 28,019	34,473	126,678	36,930	226,100

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
H.S. Tag	\$ 849	560	863	-	546
Elementary TAG	-	-	411	411	-
Biology	1,136	925	1,980	-	81
Honor Society	-	-	119	120	1
Athletics	6,602	71,590	64,356	(120)	13,716
Special Project - Athletics	-	3,350	2,612	-	738
Pep Club	348	715	789	-	274
Yearbook	700	5,388	2,065	-	4,023
FFA	690	26,145	26,067	-	768
H.S. Student Council	42	1,039	949	-	132
Elem. Student Council	4,913	6,193	5,280	(411)	5,415
Class of 2005	5,201	6,796	11,887	-	110
Class of 2006	3,160	8,067	8,933	-	2,294
Class of 2007	867	3,142	1,418	-	2,591
Class of 2008	720	-	-	-	720
Class of 2009	285	1,153	550	-	888
Class of 2010	-	815	550	-	265
Art	213	87	78	-	222
Cheerleaders	408	1,350	1,224	-	534
Drill Team	1,372	1,830	2,047	-	1,155
Total	\$ 27,506	139,145	132,178	-	34,473

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 4

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Local sources:			
Local tax	\$ 1,397,579	1,205,560	1,162,609
Tuition	419,604	363,672	381,148
Other	180,712	166,176	213,114
Intermediate sources	259	3,677	1,004
State sources	2,033,027	1,899,892	2,179,957
Federal sources	187,471	180,871	153,798
Total	<u>\$ 4,218,652</u>	<u>3,819,848</u>	<u>4,091,630</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 1,666,724	1,535,124	1,620,721
Special instruction	438,539	406,274	327,543
Other instruction	540,050	416,960	442,437
Support services:			
Student services	75,559	99,427	84,590
Instructional staff services	56,041	70,516	85,222
Administration services	310,662	405,059	414,319
Operation and maintenance of plant services	231,380	252,735	227,428
Transportation services	292,898	277,058	204,664
Central support services	-	-	2,949
Non-instructional programs	19,896	782	514
Other expenditures:			
Facilities acquisition	160,561	29,941	89,689
Long-term debt:			
Principal	52,043	46,946	46,854
Interest and other charges	30,080	31,063	33,746
AEA flowthrough	130,759	131,635	142,525
Total	<u>\$ 4,005,192</u>	<u>3,703,520</u>	<u>3,723,201</u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of
Twin Cedars Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 5, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Twin Cedars Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 through I-D-05 are material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Twin Cedars Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Twin Cedars Community School District and other parties to whom the Twin Cedars Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Twin Cedars Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP
Certified Public Accountants

August 5, 2005

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-05 Athletic Events – Admission tickets were issued for athletic events. However, instances were noted where tickets in the roll were not accounted for on this reconciliation.

Recommendation – The District should issue prenumbered admission tickets for all athletic events. The District should then document the reconciliation of the dollar value of prenumbered admission tickets issued to the dollar amount of cash deposited to the bank account and account for the numerical sequence of all prenumbered admission tickets.

Response – We will improve on this documentation in the future.

Conclusion – Response accepted.

I-C-05 Receipts – During our testing, we noted that General Fund and Nutrition Fund receipts were not always timely deposited to the bank. For example, some General Fund receipts were held in excess of a month before deposit to the bank.

Recommendation – Receipts should be deposited more timely, preferably daily.

Response – We will work on more timely deposits.

Conclusion – Response accepted.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2005

I-D-05 Accounting Records – The District’s bank reconciliations were either not performed or were inaccurate. As a result, the reconciled book balance as noted on the bank reconciliation was off by several hundred thousand dollars at June 30, 2005. The factors which contributed to this situation included such things as some receipts were not recorded, other receipts were recorded two or three times, the excessive use of journal entries which could not be supported, the posting of entries directly to the fund balance, some disbursements not recorded, and other factors. Because of these differences, the District was unable to generate accurate financial statements. Furthermore, the District was unable to evaluate and analyze its financial situation during the fiscal year.

Recommendation – The District perform accurate bank reconciliations for all bank accounts, and implement procedures to ensure the accounting records are accurate.

Response – We knew that the accounting records were off. After a change in personnel, we are slowly implementing these procedures and we feel confident we will maintain accurate accounting record, effective July 1, 2005

Conclusion – Response accepted.

I-E-05 Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response accepted.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were exceeded at June 30, 2005, and during the year ended June 30, 2005.
- Recommendation – To ensure compliance with the Code of Iowa requirements, the District implement procedures to ensure the depository resolution is not exceeded.
- Response – We will implement the recommendation.
- Conclusion – Response accepted.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the certified budget amounts in the non-instructional programs function.
- Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-C-05 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes – Instances were noted where invoices and board minutes were either late or were not published in the newspaper, as required by Chapters 279.29, 279.30, 279.35, and 279.36 of the Code of Iowa. Some board minutes were not signed by the Board President and Board Secretary.
- Recommendation – The District implement procedures to ensure all invoices and board minutes are published in the newspaper as required by the Code of Iowa. Also, all board minutes should be signed by the Board President and Board Secretary.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2005

Response – The above recommendations will be implemented in the future.

Conclusion – Response accepted.

II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-05 Deposits and Investments – In addition to the recommendations noted at II-A-05, the District did not credit interest income earned on the proceeds of debt to the project, as required by Chapter 12 of the Code of Iowa.

Recommendation – The District allocate interest income earned on the proceeds of debt to the project.

Response – We will implement this recommendation

Conclusion – Response accepted.

II-J-05 Certified Annual Report – The Certified Annual Report was not filed timely with the Department of Education.

Recommendation – In the future, the District should file the Certified Annual Report with the Department of Education on a timely basis.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-K-05 IRS Form 1099-Misc – The District did not file any IRS 1099-Misc. forms.

Recommendation – The District implement procedures to ensure IRS 1099-Misc. forms are filed in the future.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-L-05 Disbursements – For invoices paid prior to the Board meeting, the District's board policy requires approval by the Board President prior to payment. However, we noted that this approval is not documented. In addition, the Board Secretary stamps the Board President's signature on the checks, in addition to signing her own name on the checks. Some invoices were not cancelled, and for other invoices, there was no indication of receipt of the merchandise prior to the payment of the claim.

Recommendation – The Board President should approve all bills paid prior to the Board meeting, and this approval should be documented. In addition, someone other than the Board Secretary should stamp the Board President's signature on the checks. The District should also ensure that all invoices are cancelled after payment, and that there is documented receipt of the merchandise prior to the payment of the claim.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2005

Response – We will review this area and take action as necessary.

Conclusion – Response accepted.

II-M-05 Revenue Bonds - The required monthly transfers from the Revenue Account to the Sinking Account were not made by the District.

Recommendation - The District should make the monthly transfers to the Sinking Account as required by the bond resolution.

Response – We will begin making transfers to a Sinking Account.

Conclusion – Response accepted.

II-N-05 Transfers – We identified two transfers that need to be made as of June 30, 2005:

A) \$13,720 is due from the Debt Service Fund to the Special Revenue- Physical Plant and Equipment Levy Fund.

B) \$2,887 is due from the Special Revenue – Management Levy Fund to the Debt Service Fund.

Recommendation – The District make the above transfers.

Response – We will make the above transfers.

Conclusion – Response accepted.

II-O-05 Construction Project – The District entered a construction project in excess of \$55,000 during the fiscal year. The District did not follow the public hearing and bid requirements as required by Chapter 73A of the Code of Iowa. In addition, the District did not apply for a sales tax refund in relation to this project.

Recommendation – In the future, the District follow the Code of Iowa requirements in relation to construction projects, and apply for a sales tax refund on the completed project.

Response – We were unaware of this requirement until the auditor brought it to our attention. We will implement this recommendation in the future.

Conclusion – Response accepted.

II-P-05 Payroll – Instances were noted where the Social Security and Medicare wages and withholding were incorrectly computed. Also, there was not always documented support for payroll deductions, an employee W-4 was not found, and leave hours were not properly recorded on the employees leave cards.

Recommendation – The District implement procedures to ensure the wages and withholdings are correctly computed, adequate support for payroll withholdings exist, W-4's are on file for all employees, and that the leave records are accurate.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2005

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-Q-05

Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will implement this recommendation.

Conclusion – Response accepted.